



MULTISTATE TAX COMMISSION

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National Nexus Program (NNP) Director's Report for FY 2018
July 23, 2018
Boston, Massachusetts

Multistate Voluntary Disclosure Program (MVDP)

This Third Quarter FY 2018 results (July 1, 2017, through June 30, 2018) are provided below.

- Nexus states' collections: \$18,601,151 (\$19,664,097 in FY 2017)
- Nexus states' executed agreements: 3,087 (431 in FY 2017)
- Nexus states' average contract value: \$6,026 (FY 2017: \$45,624)

The above amounts include checks received by the Commission or amounts paid by the taxpayer directly to the states and reported to the Commission. Interest on back tax paid and the value of a new taxpayer are not included. The number of executed agreements includes those from the online marketplace seller voluntary disclosure initiative, most of which involved waiver of back tax liability, as well as those from the ongoing Multistate Voluntary Disclosure Program, which do require payment of back taxes for the states' lookback periods. This accounts for the much higher number of executed agreements and the much lower average contract value. Based on the back tax liability estimates provided in the applications of taxpayers executing agreements and registering with the states under the initiative, it should result in an estimated \$51,058,614 in annual potential future revenue for the participating states.

Online Marketplace Seller Voluntary Disclosure Initiative

At its July 31, 2017 meeting in Louisville, the Nexus Committee approved moving forward with the online marketplace seller voluntary disclosure initiative. A total of 25 states, including D.C., are participating in the initiative. Most of the participating states offered waiver of back tax liability for both sales/use tax and

income/franchise tax to online marketplace sellers with nexus as a result of inventory or other nexus-creating activity by the marketplace facilitator on behalf of the seller, if the seller registered to collect sales/use tax and file income tax returns prospectively. Four of the participating states (Colorado, Massachusetts, Minnesota, and Wisconsin) required lookback periods. The initial application period was set for August 17 to October 17, 2017, with sellers to be registered to collect by December 1, 2017. On October 11, the Nexus Committee conducted an emergency meeting by teleconference to address requests to extend the deadlines. The Committee extended the application deadline to November 1 and changed the registration deadline (date seller needs to send to MTC staff the signed agreement and the state's completed registration forms or written confirmation that the seller has registered online, if permitted) to the later of December 1, 2017, or 30 days after the seller receives notice that the state has signed the voluntary disclosure agreement. By the end of the November 1 application period, voluntary disclosure applications from a total of approximately 852 online marketplace sellers had been received.

On January 4, 2018, the Nexus Committee met by telephone and authorized MTC staff to begin notifying online marketplace sellers receiving state-signed agreements that they could send the executed agreements and registration forms (along with returns and payments if required) alternatively either directly to the states or to MTC staff. This was intended to speed up the registration for taxpayers and reduce processing time.

The initiative is completed.

Membership

There are currently thirty-eight participating states (including the District of Columbia) in the NNP, with Rhode Island having most recently joined effective October 1, 2017. Delaware ended their participation in the Nexus Program as of the end of FY 2018. Commission staff continues to reach out to non-member states.

Outreach

Richard Cram gave a presentation on the online marketplace seller voluntary disclosure initiative at the NASBO annual meeting in Alexandria, Virginia on October 6, 2017. Richard participated as a panelist in The Knowledge Group webinar presentation entitled "Sales and Use Tax Economic Nexus: Tips and Strategies to Ensure Compliance in the Ever-Complex Economy" on October 17, 2017. Richard

gave a presentation on nexus law developments to the Cornell SALT Group in New York City on November 3, 2017. Richard presented as a panelist at the FTA Compliance Workshop in New Orleans on February 28, 2018 (*What Happened When the Nation's Marketplace Sellers Were Offered an Incentive to Register*) and also presented as a panelist at the ABA/IPT Advanced Sales and Use Tax Seminar (*MTC VDA Program*) in New Orleans, Louisiana on March 21, 2018.

Staff continues to urge states to put a link to the NNP on their voluntary disclosure web pages.

Nexus Schools

NNP staff co-taught a Nexus School in Atlanta, Georgia on September 20-21, 2017, hosted by the Georgia Department of Revenue. Please let a member of the Commission staff know if your state would like to host a Nexus School.

Amnesties

The NNP posts on its web page a list of upcoming and current state tax amnesties. Please inform NNP staff if you would like the Commission to post your state's amnesty.

Staffing

The Program presently has four permanent full-time staff members: Richard Cram, Director, Diane Simon-Queen, Voluntary Disclosure Program Manager, Michelle Lewis, Paralegal, and James Lee, hired on March 13, 2018 as Program Specialist. From October 2017 through late February 2018, Renee Lee, Paralegal, Thomas Emberger, temporary employee, and James Lee, then a temporary employee, worked full-time for the Program on the online marketplace seller voluntary disclosure initiative. Nianci Lyu, temporary employee, worked full-time on the initiative during October and November 2017. Angie Molina, a senior at Georgetown University, worked part-time for the Nexus Program beginning July 5, 2017, ending in October 2017.

Richard Cram
Director, National Nexus Program